GLOBALISATION AND DOMESTIC POLICY RESPONSES IN EAST ASIA [*]

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1. Introduction

A funny thing happened to globalisation on the way to the beginning of the 21st century. The advancement of computer and information technology since the late 1970s in such industrialised countries as the US had given rise to a dramatic increase in work efficiency and an equally dramatic drop in the costs of telecommunications. The rapid increase in computing power and low-costs of personal computers and other electronic equipment in the ensuing decades have transformed the world into a 'global village' where people can communicate with one another quickly, conveniently, and less expensively as if they were in a small village. As will be alluded to later, the world has been so overwhelmed by the apparent positive effects of this 'globalisation' that no one would dare to question the merits of this world phenomenon, or to doubt its beneficent power. Somehow the currency cum financial cum economic crisis in East Asia in the latter half of the 1990s had changed all this. To some, this crisis could be looked upon as the crisis of globalisation, or the crisis brought on by globalisation. Many more negative images of globalisation had also emerged in the last few years of the 20th century, so much so that it is now fashionable to stage protest against globalisation (or any activities that can be construed as caused by or leading to globalisation), just as it was equally fashionable to extol the virtue of globalisation a few years earlier.

The truth about the merits or demerits of globalisation probably lies between these two extremes. Globalisation is certainly not all good or not all bad. Globalisation may bring in greater efficiency in resource allocation but it could also change the distributive patterns of the society so that the welfare losses among certain groups of the people may exceed the welfare gains among another groups of the people, or the world as a whole may suffer the adverse consequences of globalisation such as environmental damage or degradation. These pros and cons of globalisation may be perceived or looked upon differently by different people in different countries or societies. It is interesting to know how these

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people in these countries accept or reject or otherwise adjust to the advent of globalisation in the last three decades.

The main focus of this paper, therefore, will be on domestic policy responses of some of the countries in East Asia. East Asia as a region is selected because it exhibits several characteristics that can be used to reflect the outcome of globalisation, be it the open-market or market-friendly economic system, the reliance on price mechanism to allocate resources, the dependence on international or multilateral trade and investment relations to guide national policies, and so on. Indeed, the rapid economic growth of several countries in East Asia was so outstanding that it is sometimes referred to as an 'East Asian Miracle'. However, not all aspects of policy responses from domestic policy makers could be covered in this short paper. Only a broad consideration of how each country, through its policy makers, responds to the force of globalisation.

After this Introductory section, the paper is divided into 3 further sections. Section 2 deals with the typology or different types of globalisation, the knowledge of which is necessary if we are to understand the impact of globalisation better. Section 3 discusses various policy responses to globalisation in 9 selected countries, namely , China, Indonesia, Japan, Korea, Malaysia, Philippines, Singapore, Taiwan, and Thailand. Section 4 concludes and draws some lessons learned from the experiences of these East Asian countries as to how to cope with globalisation in the future.

2. Typology of Globalisation

Two recent statements from two world leaders regarding globalisation could set the tone for the further debate on the nature and characteristics of globalisation. In its 1998 Annual Report of the Secretary-General of the United Nations, Mr. Kofi Annan, the U.N. Secretary-General, has this to say about globalisation:

> "Globalisation has an immense potential to improve people's lives, but it can disrupt—and destroy—them as well. Those who do not accept it pervasive, all-encompassing ways are often left behind. It is our task to prevent this; to ensure that globalisation leads to progress, prosperity and security for all."

The other statement is from Mr. James Wolfensohn, President of the World Bank in his introduction to the 1999/2000 World Development Report in August 1999. This is what he said:

> "This report (World Development Report 1999/2000) seeks neither to praise not to condemn globalisation and localisation. Rather it recognises them as forces that bring

> new opportunities but also raise new or greater challenges in terms of economic and political instability."

It is obvious from the above two statements that these two important world leaders have recognised the inevitability of globalisation, and perceived both the opportunities and threats, the benefits and costs, the positive and negative sides, of globalisation. But while the statements such as above are commonly heard nowadays, the true meaning of globalisation can be a subject of heated debate among scholars and researchers alike. What is actually globalisation? What has caused it? Is it really inevitable as these two world leaders believe? What can it do to those countries which accept or adopt it? Or what will happen if they do not? Specifically, for our purpose in this paper, what are the social consequences of globalisation?

In one of the most comprehensive studies on the nature and development of globalisation ever taken by social scientists, David Held and his associates (Held et al. 1999. P. 16) had looked at various meanings, connotations and implications of globalisation, and come to a conclusion that globalisation can be thought as:

> "…a process (or set of processes) which embodies a transformation in the spatial organisation of social relations and transactions—assessed in terms of their extensity, intensity, velocity and impact—generating transcontinental or interregional flows and networks of activity, interaction, and the exercise of power."

This is a neat definition, but it couches in several underlying concepts that require further explanation. For example, what is meant by 'extensity' of globalisation is that globalisation implies a 'stretching' of social, political and economic activities across frontiers such that events, decisions and activities in one region of the world can come to have significance for individuals and communities in other regions of the world far away. Beyond this, globalisation implies that connections across frontiers are not merely random or temporary but quite regular such that one can observe the 'intensity' (or intensification) or growing magnitude of such interconnectedness, or patterns of interaction and flows across boundaries. Held et al. further explained that growing extensity and intensity of global interconnectedness may also imply a speeding up, or velocity, of global interactions and processes as the global diffusion of ideas, goods, information, capital, and people increases. As a result of the above growing extensity, intensity and velocity of global interactions, the 'impact' of the distant events is magnified so that even the most local developments may come to have enormous global consequences. With these four underlying concepts or conditions, globalisation has become a very important

human phenomenon indeed, and it has gone to explain why no one can afford to ignore it.

Is there any need to spend any more time discussing how other scholars define globalisation? Probably not, as the basic grasp of the meaning of globalisation by the general public can be safely assumed. Samuel S. Kim (1999) of Columbia University (whose table of globalisation indicators in East Asia we are using in this paper), for example, practically echoed Held et al.'s definition in his own definition of globalisation, with a twist that Kim has defined human relations and interactions to include economic, social, cultural, environmental, political, diplomatic, and security matters, and that globalisation is not just a process but also a new international 'system'. And as a system, it can bestow rewards to those who know how to behave in the new system, but it can also punish those who do not how or fail to adjust to the new system. What is more important is, perhaps, to classify globalisation to suit our purpose (on what we want to do with it). In this case it is appropriate to classify globalisation on the causes and consequences of it.

Earlier proponents of globalisation (such as Ohmae, 1990 and 1995) often warmed over technology or technological change as the main cause of globalisation. It is true that the technology of miniaturisation and the reduced costs that go with this new technology have brought about smaller, faster, more efficient machinery, tools, equipment, and appliances that save human time and energy and facilitate human interactions across geographical boundaries. And as globalisation has a technological base, it is therefore here to stay (Williamson, 1998). To this enthusiastic group of globalisation supporters, Held and his associates would call them 'the hyper-globalists'. An important implication of globalised world based on technology is that the state will lose its controlling power over its citizens. As Ohmae (1990) tried to point out, the globalised world will cause the authority to switch from states to multinational corporations and other transnational associations, and with the core of the state's authority weakened by globalisation, the state becomes a hollow or defective institution.

But while technological change is important for the spread of globalisation, many would argue against the use of technology or technological change as the main cause of globalisation. Heinz Arndt of the Australian National University, for example, dismissed the notion of technological change as the main attribute of globalisation as unconvincing (Arndt, 1998, p. 74). Instead he believes that the crucial factor has been liberalisation of international trade and payments by all developed and many developing countries in recent decades. This view and its variants that rely on economic foundation of globalisation has many

followers (UNCTAD, 1998; Rodrik, 1997 and 1998; Lawrence, 1996; IMF, 1997; Mirza, 1998; Dominique, 1999). But perhaps the combination of the two can make this type of globalisation even stronger. Globalisation is now referred as the growing economic interdependence of countries world-wide through the increase volume and variety of cross-border transactions in goods and services and of international capital flows, and also through the rapid and widespread diffusion of technology (Mirza, 1998, p. 3).

But while this trade plus technology school of globalisation has hold sway the majority of people in many countries, it is not without its detractors. Indeed, it is not the causes but the consequences or effects of globalisation that bring these detractors of globalisation into the open. Against the main argument that globalisation through liberalisation of trade, investment and payments brings in greater economic growth and prosperity to all concerned, these detractors counter-argue that it also brings in marginalisation of some group of people, greater income and wealth inequality (the race to the bottom), environmental degradation, erosion of close family ties, increased spiritual isolation, crime and violence. Held and associates would call this group of thinkers and believers 'the sceptics', and many well-known names could be included here (such as Stevenson, 1999; Gray, 1999; Greider, 1997; Hirst and Thompson, 1996). And perhaps all those protesters who staged a successful protest against the meeting of the WTO in Seattle in November 1999 could also be included in this group. In his influential book, John Gray (1999) of the London School of Economics, for example, insists that the unfettered global free market economy will not spawn a self-regulating utopia, but an increasing social instability and economic anarchy. To Gray, free market is a rare and short-lived phenomenon, a specific product of English nineteenth-century social engineering, from whose cycles of boom and bust we still have much to learn. His book also attacks the US-led investment in the free market, calling it 'anachro-capitalism' of post-communist Russia which is most likely to bring the world to deepening international anarchy.

Certainly Gray's opinion and analysis is quite extreme, and while he fits the role of a powerful sceptic to globalisation, many would prefer to steer a middle ground. The negative consequences of globalisation are of course recognised but the state or government could do something to prevent or ameliorate those. So, far from being devolved into a weakened and defective institution, the state in the new globalised world could be adjusted to the changing world situations where the states or national governments adapt to the expanding jurisdiction of international governance while maintaining the ultimate supremacy of internal legal control and empowerment. The case of EU and WTO, and to a lesser extent,

APEC, would fall under this adjusted role of the state. Held and associates would call this group of believers in globalisation 'the transformationists'. Instead of globalisation bringing about the 'end of the state', it has encouraged a series of adjustment strategies, and, to a certain extent, a more activist state (Held et al., 1999, p. 13-14). In its latest 1999 Human Development Report, the UNDP had devoted the whole volume to discussing 'Globalisation with Human Face' (UNDP, 1999). The authors of this volume are certainly not sceptics of globalisation as they freely admitted that globalisation offered great opportunities for human advances, but as globalisation often bring about greater inequity and social exclusion, stronger governance is needed both nationally and globally. This of course can also be classified as a transformationalist position.

The above typology of globalisation should lend itself to a better understanding of the role and impacts of globalisation on any society. On this note of the impacts of globalisation, Held et al. have further expanded their analysis to cover the four analytically distinct types of impacts. First, the decisional impacts refer to the relative benefits and costs arisen out of certain globalisation-caused decisions by decision makers. Second, the institutional impacts highlight the ways in which globalisation has caused institutions to change. Third, the distributional impacts refer to the ways in which globalisation has caused the change in relative welfare of the people in the society. Finally, the structural impacts concern the ways in which states and societies accommodate themselves to global forces.

3. Domestic Responses to Globalisation in East Asia [1]

The last section dwelled on the general concept of globalisation at least to show that the increase in international transactions (trade, tourism, communications, and the like) can be looked upon as a manifestation of the acceptance of globalisation in many countries. Despite great diversity among countries in the East Asian region, the majority of these countries follow the same pattern of economic development based on outward-oriented or export promotion. The well-known pattern of development is that of a group of flying geese, with Japan as the leader, followed by Korea, Taiwan and Singapore in the second rank, the ASEAN-4 namely Indonesia, Malaysia, Philippines and Thailand in the third, China, Vietnam and other Southeast Asian countries in fourth and so on. The more open or outward-oriented these countries have become, the more likely that they will stay in front, closely catching up the leader,

[1] The information on how selected countries in East Asia are responding to globalisation in this section is obtain from the special volume of Asian Perspective which deals with globalisation in East Asia, with Samuel S. Kim as its guest editor.

Japan. One indicator of internationalisation of any economy is the share of its export to GDP, and this indicator has been quite high for most of these East Asian economies. In fact the share of exports to GDP of Japan may be the lowest among these East Asian countries. But Japan is a very large economy; even 10 per cent of the GDP devoted to exports can be very large in absolute term. Moreover, other openness indicators such as the amount of foreign direct investment coming into a country can be a good indication of the economic openness of that country. In this case, China is a current champion in this category of investment globalisation. [2]

Japan as the first country in East Asia to catch up with the West in term of modern economic growth succeeded because it could change the nature of its exports from a few primary-based products to many manufacturing-based products rivalling and eventually surpassing similar products from the West. Japan was an earlier beneficiary of limited globalisation in the past. The success of Japan as a new manufacturing nation was so rapid and extensive that by early 1980s Japan has become the second largest economy in the world after the US. The economic prosperity in the 1980s naturally led Japan to think much about the 'internationalisation' of Japan, that is to say become world leader in economic and financial affairs. [3] Unfortunately, the economic bubble which was built up as a result of enormous success in manufacturing production and trade in the 1970s and 1980s had finally burst in the late 1980s, causing massive problems in the financial sector through bank failures and unrecovered bad loans. This was the time when the world had come to know the globalisation process, when the soviet system had failed and global capitalism had won. Japan was forced to recognise and accept the so-called 'global standards', especially standards that were forced upon its financial systems. There was of course resistance to this form of financial globalisation, but, grudgingly, Japan has no choice but to accept these Westernised (or even Americanised) practices in its long-established 'Japanese system'. But as Sakakibara Eisuke, a well-known former Vice-Minister of Finance has said, in order to participate in the world economy, Japan must adopt existing global standards, even while fighting to adapt the global system to allow for local heterogeneity of systems. (as quoted in Grimes, 1999, p. 184). William W. Grimes is probably correct when he says that, as a result of the financial troubles in Japan and the advent of globalisation everywhere, Japanese firms today are fundamentally incapable of controlling the pace of their own entry into globalisation, leading to the *fin de*

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[2] For comparison of many of these globalisation indicators see a special table in Kim (1999).

[3] The word for internationalisation in Japanese is 'koksaika'. The word has an air of excitement in it. But for 'globalisation', the Japanese use 'gurobaruka' which is just a Japanese pronunciation of the word 'global'. The excitement is gone.

siècle anxiety that is so evident in the domestic discourse, To Grimes, this is perhaps the first time since the end of the U.S. Occupation that Japan's corporate leaders and policy makers have been unable to control or take advantage of rapid change in the global economy. Thus, despite the fondest hopes of Japan's internationalists, globalisation now represents constraint rather than opportunity. (Grimes, 1999, p. 192).

The situation is different for Korea who is earnestly trying to catch up with Japan. Ever since the time of Kim Young Sam, the immediate past President, globalisation had received enthusiastic welcome from the Korean leader. His globalisation policy (or *segyehwa*) would accept international norms and international rules established multilaterally, and Korea must be prepared to compete in the international markets. As pointed out by Gills and Gills (1999, p. 201), President Kim Young Sam's vision of globalisation embraced a wide range of reforms, including transparency of transactions, fair competition, financial deregulation, tax reform, industrial relations reform, expansion of social security, and political and administrative reform. In so doing, domestic conglomerates or Chaebols must be broken from their oligopolistic positions, their previous business/government relationship severed, and their stranglehold on the economy broken.

Kim Young Sam the former President could not do this during his presidency, but Kim Dae Jung, the new President, can. The new presidential election which came at the onset of the Korean financial and economic crisis gave an added popular support to President Kim Dae Jung, who quickly tackled the Chaebol matters with firm hands and determination. As early as 7 December 1998, Kim Dae Jung was able to convene the top 5 Chaebol presidents and forced an agreement on a sweeping corporate restructure program. The 'five great reforms' at the centre of this plan include: (1) greater transparency in corporate management; (2) ending mutual debt guarantees among Chaebol subsidiaries; (3) establishing a healthy financial structure; (4) emphasis on core business lines among Chaebol and encouragement of SMEs; and (5) increasing managerial and majority shareholder accountability (see Gills and Gills, 1999, p. 210).

While the severity of the Korean economic crisis could be attributable to the massive outflows of capital which is a characteristic of globalisation, the speed with which Korea has emerged from this economic crisis can be attributable to the massive increase in its exports, another characteristic of globalisation. So, globalisation in itself cannot be blamed for causing economic troubles only; it can bring about quick economic recovery too. In fact, judicious preparation and adjustments to the

forces of globalisation could prevent crisis from happening, or reduce severity of its shocks. The cases of Taiwan and Singapore attest to this. The success of Taiwan's exports in the 1970s and 1980s, had earned Taiwan enormous amount of foreign reserves. In the early 1990s, for example, the foreign reserves of Taiwan of about US$89 billion were reputed to be largest in the world (White III, 1999). Therefore, Taiwan is likely to be immune from negative effects of capital movements. Taiwan began to reform its banking laws in 1989, resulting in greater transparency and accountability in the banking operations, with greater supervision from the authority. Therefore, the crisis hit East Asia in late 1997, Taiwan was already prepared for the economic shock like this. The exchange rate of the NT dollar fell for about 13 per cent, and the rate of growth declined from 6.8 per cent in 1997 to about 5.1 per cent in 1998. This could be regarded as a very small impact indeed considered what had happened in Korea, Thailand and Indonesia.

The situation in Singapore is similar. After the recession in mid-1980s, Singapore became more careful about economic over-expansion. In more than 3 decades after separation from the Malaysian Federation, Singapore had depended on open market to turn itself from a poor fishing village to a very prosperous island nation by allowing foreign investment and management to operate in the island state, with the state providing physical, economic and social infrastructure, and strong government leadership. In short, Singapore moves with the force of the market, and has benefiting from it since. The East Asian Crisis affected the Singapore economy too--it has to be, considering the fact it is surrounded the three big countries suffering from crisis of varying degrees: Indonesia, Malaysia and Thailand, but the overall growth rate of GDP was still positive (about 1.2 per cent) in 1998.

Philippines may also escape serious economic crisis, but for different reasons. In the mid-1980s, Philippines had already suffered from external debt problems, and had received assistance from the IMF. The conditionalities, painful as they were, had forced Philippines to institute several financial and economic reforms, which had helped it to weather the storm of the East Asian crisis. Philippines had a good sense to float its currency soon after the crisis in Thailand, thus avoiding the expensive defence of its currency. As for China, it had not only escaped the negative impact of the East Asian crisis, it continued to grow strongly in 1998 and 1999. China in the era of Deng Xiaoping was already prepared for the inevitability of globalisation. While, politically, China is still a socialist country, it has adopted the main features of market capitalism by dismantling central planning, allowing private ownership and enterprises, opening its economy for foreign direct investment, and starting to reform its inefficient state-owned enterprises. But while the current account transactions in China

are basically open, the capital account transactions are still closed. The Chinese economy, therefore, was not subject to volatile capital movements that ailed many of its neighbours. The post-Deng Chinese leaders (Jiang Zemin and Zhu Rongji) have gone one step further than Deng. Not only that they accept the force of free market in the globalised world, they want China to be the leader in Asia and the world, and have recognised that the way to achieve that is to increase the efficiency of its economic management and the capability of its people, and to harness technology for the future. China may still be a poor country today, but the potential for it to be an economic superpower is high as long as China remains receptive to the force of globalisation.

That left the other three countries that suffered the most from the effects of the economic crisis. Thailand, where the crisis started, has been known to be very open, very outward-oriented since the early 1960s when it launched its first National Economic Development Plan. This 'openness' has served Thailand well, making the Thai economy grow very fast without any single year of negative growth rate in the last three and a half decades, that is until 1997. The Thais had apparent become 'too open' in the early 1990s, when the authority liberalised, not just the current account transactions, but also capital account transactions, without adequate regulatory and supervisory facilities in place. The Thai private sector including finance companies, commercial banks, and many private companies, went on the borrowing and spending sprees in the late 1980s, thanks to the low interest abroad and high interest at home, the chance to speculate in the stock and property markets, and the certainty of government's policy to fix the exchange rate with the US dollar. It was the massive inflows of short-term capital, and the sudden outflows of this capital in the aftermath of the failure of the Thai authority to defend the baht against continuous speculative attack on its currency that had brought about severe financial and economic crisis. Thailand is now trying to learn from the past mistakes. It wants to remain open without suffering from the consequences of too much openness.

Indonesia suffered the same loss of confidence from foreign investors when the weakness in its banking and financial sectors were exposed, and foreign capital started to flow out. Indonesia had indeed gained from its much earlier liberalisation of its economy, but its leader who stayed in power for too long, and was involved in extensive nepotistic, collusive and corrupted practices was a major cause for political troubles that came on top of financial troubles, causing the country to go up in flame. Is globalisation to blame for this? Representing one view, Ann Marie Murphy (1999), is of opinion that it is unlikely that Indonesia will wholeheartedly embrace globalisation in the future. She claims

that most Indonesians find liberal economics unappealing and have blamed globalisation for the country's economic suffering. But this negative view of globalisation among Indonesians could be a result of the mixing up of political discontent with economic troubles. Most Indonesians accepted and recognised the benefits of economic liberalisation that had brought about prosperity to the country compared to the situation 20 years ago, but the benefits from liberalisation was marred by political immobility. Once the political development is stabilised, it is possible that the acceptance of liberalisation and globalisation may return.

The case of Malaysia is similar. Malaysia started its modern economic development by opening up its economy through foreign direct investment and export promotion. With efficient bureaucracy and the adherence to the rule of law (probably the legacy of the British) Malaysian growth has been orderly despite the racial conflicts between the Chinese and the Malays which resulted in the New Economic Policy that gave special economic, social and political favour to the indigenous Malays. A typical statement by the Malaysian leader (Dr. Mahathir Mohammad) concerning the concept of globalisation and the involvement of Malaysia is clear on how important globalisation is to Malaysia. This is what he said in his Vision 2020 statement:

> "Our economic objective should be to secure the establishment of a competitive economy. …It must mean, among other things, a diversified and balanced economy with a mature and widely based industrial sector, a modern and mature agriculture sector and an efficient and productive and equally mature services sector, …an entrepreneurial economy that is self-reliant, outward-looking and enterprising; …and economy that is subjected to the full discipline and rigour of the market forces." (as quoted in Welsh, 1999, p. 266).

Regrettably, the crisis in 1997 had caused Dr. Mahathir to change his perception of globalisation. He suspected that there were forces in the West that were trying to undermine the progress of Malaysia. This suspicion has translated into his redefining of globalisation as a threat to Malaysia and adopted policies to limit the effects of global forces. Dr. Mahathir's use of capital controls in September 1998 could be seen as one such policy. However, it is possible that this change of perception of globalisation of globalisation is conditioned by political instability in Malaysia, just like what happened to political stability in Indonesia. Once this political instability is gone, positive domestic response to globalisation may return again.

4. Conclusions and Lesson for the Future

In this paper, I have discussed the origins or sources of globalisation which give rise to different types or categories of globalisation. It was pointed out that technological progress alone is not the only driving force behind globalisation, international trade, investment and payment are also the main factors that drive countries to trade among one another and enjoy the benefits of the gains from trade. These benefits may vary according to the development and pre-conditions of each country. Its leaders can become enthusiastic followers of globalisation, anti-globalists, or something in between. I have pointed out the enthusiastic responses of Korea, Singapore, Taiwan, and Thailand, the cautious or conditional responses of China, Japan, Philippines, and Indonesia, and the negative reaction to simple (or simplistic) globalisation perceived by Malaysia and its political leader. These domestic policy responses have enabled us to understand several policy stances of these countries in many international issues such as the role of Asia and Pacific Economic Cooperation or APEC, the commitments under the World Trade Organisation or WTO,

What should be the lesson for the future? One thing is clear and certain from the above discussion: despite the economic crisis that can be said to be caused by globalisation, countries in East Asia are not abandoning free-market trade and investment yet. Indeed, it could even be argued that the speed with which the solution of, or recovery from the deepest economic crisis experienced by these many East Asian countries could also be attributable to the impact of globalisation, that is the quick return of economic confidence from foreign investors, resulting the inflows of capital of a more sustainable kind (more long-term rather than short-term capital; more productive and less speculative investment, and so on). The recent economic crisis in East Asia should provide a valuable lesson to the affected countries, and other non-affected countries as well, that one should not get carried away by the initial success of globalisation and forget to be careful in one's handling of the long-term process of globalisation. Not only that we must make a proper preparation for globalisation (proper sequencing of liberalisation of the economy, for example), we must also build necessary institutions, construct appropriate regulations, and mount adequate supervision in response to the ineluctable encroachment of globalisation. If one fails to do these, more harm rather than help can come from globalisation.

Recently the influential news magazine, ***The Economist***, ran a cover story on the case for globalisation. [4] In it, the magazine believed that the anti-globalisation (or anti-capitalist) groups, despite their noble and well intention, could be a dangerous group indeed for the welfare of the people in general, and of the poor in particular. According to ***The Economist***, the advances achieved in

[4] ***The Economist***, September 23rd-29th 2000.

computing and telecommunications in the West offer enormous scope for raising living standards in the third world as new technologies promise not only big improvements in local efficiency, but also the further and potentially bigger gains that flow from an infinitely denser network of connections, electronic and otherwise, with the developed world. The 'gains' just referred to, said ***The Economist***, are not, or not only, the profits of western and third-world corporations but productive employment and higher incomes for the world's poor. To stifle the main force of globalisation, or to avoid facing it and adjusting to it, is likely to bring in missed opportunities in the long run. Should the government throw their hands on this issue and dissociate itself from this controversial issue of the day, and let the process of globalisation proceed along helter-skelter? Perhaps not. The following is the last words that The Economist had on its feeling toward globalisation:

- "It would be naïve to think that the governments could let integration proceed mainly under its own steam, trusting to technological progress and economic freedom, desirable as that would be. Politics could never be like that. But is defending globalisation boldly on its merits as a truly moral cause—against a mere rabble of exuberant irrationalists on the streets, and in the face of a mild public scepticism that is open to persuasion—entirely out of the question? If it is, as it seems to be, that is dismal news for the world's poor."

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